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SUBJECT: HONG KONG: 2008 COUNTRY REPORTS ON TERRORISM

REF: 08 STATE 120019

Consulate General Hong Kong's submission for the 2008 Country Reports on Terrorism, per reftel request, follows:

Hong Kong

Hong Kong's position as a major transit point for cargo, finances, and people and its open trade and financial regime made it a potential site for money laundering and terrorist financing activities. The high level of cooperation and the successful implementation of the Container Security Initiative (CSI) by Hong Kong Customs officials received continued praise from visiting USG delegations, which described it as a model for CSI implementation. The Hong Kong government extended the Strategic Freight Initiative (SFI) pilot project, originally scheduled to run through April 2008 for an additional year.

Hong Kong law enforcement agencies provided full support and cooperation to their overseas counterparts in tracing financial transactions suspected of being linked to terrorist activities.

Hong Kong actively participated in various anti-money laundering and counterterrorist financing initiatives, including the Financial Action Task Force (FATF) and the Asia/Pacific Group (APG) on Money Laundering. Hong Kong is a member of the Egmont Group, reporting through its Joint Financial Intelligence Unit (JFIU, operated by Hong Kong Police and the Customs and Excise Department). The results of Hong Kong's 2007 FATF and APG mutual evaluation were announced in June 2008. In response to recommendations in the report, Hong Kong authorities are expected to propose legislation to increase supervision of money changers and remittance agents early in 2009, but have made no plans to establish reporting requirements for cross-border currency movements.

Macau

The Macau Special Administrative Region is a member of the Asia Pacific Group (APG) and completed a mutual evaluation of its Anti-Money Laundering Regime in 2007. In response to recommendations contained in the report, Macau authorities have taken steps to improve compliance with suspicious transactions reporting requirements in banks and casinos, but the threshold reporting limits remain well above international norms. Macau's Financial Intelligence Office (FIO) remains a temporary body, although its staffing continues to increase. Macau has not proposed establishing reporting requirements for cross-border currency movements.

The Government of Macau continued to exchange information with the Hong Kong Special Administrative Region and counterparts in mainland China. Additionally, Macau continued to cooperate internationally in counterterrorism efforts, through INTERPOL and other security-focused organizations within the Asia Pacific Region. Macau continues to consider information sharing mechanisms that would enable it to join the Egmont Group.

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